THE ASPEN INSTITUTE

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Family Economics: Work and Wealth in the New Economy

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An alarming paradox with serious consequences threatens this country. The economy is relatively strong and growing. One group of Americans is prospering beyond belief. Their income and assets are growing substantially.

At the same time, another group of Americans is caught in an unfair squeeze. They work hard yet remain poor. They struggle to make ends meet and fall behind. Off welfare, more of them are earning paychecks than ever before. Yet, despite their hard work, they are unable to save and achieve financial security.

The numbers speak for themselves:

- More than 9.2 million families working and low-income, earning less than $36,784 for a family of four.
- More than 11 million children – 17 percent – living below the poverty line.
- About 16 million children living in families that can't meet basic needs.

This nation's unfair gulf between the haves and the have-nots demands a critical call to action. This vast disparity does not need to be. Instead, there are steps we can take to turn this around. Solving this problem is about more than just doing the right thing. The country's economic prosperity is at stake. More and more jobs require more than a high school degree. Having such a large pool of unskilled workers hurts the country's productivity, growth, and international competitiveness. The United States has dropped to sixth in the world in high school graduation rates for youths aged 25 to 34 – behind Norway, Japan, Korea, Czech Republic, and Switzerland. An unskilled workforce makes businesses less competitive and forces U.S. companies to look abroad for employees to compete globally. Indeed, since the 1990s, more U.S. companies have outsourced jobs to low-cost, college-educated workforces in China, India, and Russia. Educated, trained workers will help our national economy thrive. They contribute to the tax base. A skilled workforce reduces the social and economic costs of poverty. If more people at the bottom are able to get ahead financially, it will increase the prosperity of the entire nation.

We are very grateful to the Annie E. Casey Foundation for their support of a series of presentations called "Family Economics: Work and Wealth in the New Economy" that took place during The Aspen Ideas Festival, held July 5 to 10, 2005. The discussions from those events are the foundation of this article. We also thank Gamillah, Inc., for supporting this paper. We are particularly grateful to the following individuals for presenting their ideas on work and wealth: Anthony Carnevale, Ron Haskins, Jason DeParle, Eric J. Cooper, Myron Orfield, Angela Glover Blackwell, Amy Domini, Mark Bryan, and Roger Weisberg.

The increasing use of technology, the rise of global trade and the decline of unions have resulted in sweeping economic changes in many industries over the past three decades. This dramatic restructuring of the economy has meant substantial improvements in earnings opportunities and greater job satisfaction for highly skilled workers. At the same time, unskilled jobs that pay enough to support a family, such as factory jobs, have declined dramatically. Decreasing job security has affected nearly all income levels, but it has hit unskilled workers particularly hard. For them, it has meant declining wages, deteriorating job benefits, and less security. In addition to this profound economic restructuring, national public policy also has contributed to the declining fortunes of low-wage workers. For instance, the value of the minimum wage has eroded over the years. In addition, the 1996 welfare reform law, which tied welfare benefits to work, has transformed the labor landscape at the low end.

The reasons opportunities are so limited for millions of working families are intertwined. Where you find one entrenched problem, you likely will find another. Poor housing opportunities are related to poor educational opportunities. Poor schools contribute to poor employment opportunities. A dead-end, low-wage job makes it impossible for families to build assets and financial security.

Breaking out of that cycle is extremely difficult. Many working parents are struggling in today's workplace due to their own low educational attainment. These parents lack the financial resources to help their children succeed in today's economy. Many, for instance, lack health insurance and don't have access to good doctors. Nor are they able to afford homes in safe neighborhoods.

Instead, their children often live in violent neighborhoods. These communities also frequently face environmental hazards, such as high levels of pollution, that contribute to poor health among residents. These neighborhoods lack parks, libraries, and other amenities. Many businesses and grocery stores move out of these neighborhoods, eroding the tax base for public services and good schools. All too often, the schools in such neighborhoods are inferior, limiting opportunities for learning and advancing to college.

Lacking a college degree dramatically narrows employment opportunities. Having a low-paying job means a family can't afford to live in a better neighborhood – and the whole cycle starts over again.

Race is another issue. Poor children and families are disproportionately minorities. Fifty-three percent of low-income, working families include a minority parent. Sixty-one percent of working poor families have a minority parent. Among all working families, those with a minority parent are twice as likely to be low-income as white working families (43 percent to 20 percent). For these working families of color, opportunities for employment, housing and education are narrow.

Despite gains, discrimination persists. Myron Orfield, a University of Minnesota law professor who has studied how poverty moves from inner cities to older, inner suburbs, says that the public often believes that minority communities have inferior schools and high crime, even when statistics show the opposite. At the same time, while many employers are trying hard to hire minorities for top positions, some employers still are leery about hiring young blacks, particularly men, for less-skilled, entry-level positions. A 2003 study by Northwestern University sociologist Devah Pager found that white ex-offenders were more likely to be called back for a job interview than black applicants without criminal records. In her study, matched pairs of testers – two blacks and two whites – applied for low-skilled jobs at 350 businesses in Milwaukee. Only 14 percent of blacks without criminal records were called back for an interview, compared to 34 percent of whites without criminal records and 17 percent of whites with criminal records. These issues of race likely will grow in importance as the United States is projected to become a majority-minority society by 2050, with the white proportion of the population shrinking, the African American share growing slightly and the Hispanic share growing dramatically.

At the Aspen Institute's Ideas Festival, these challenges were explored in-depth in several sessions focused on Work and Wealth. Fortunately, solutions do exist. There does not need to be such wide gaps in work and wealth. Often, this disparity is the result of decisions by policymakers. The good news is that we can bring about real change. Political pressure can be exerted to close the gap and provide more educational and employment opportunities for low-income people. The time for our country to act is now.

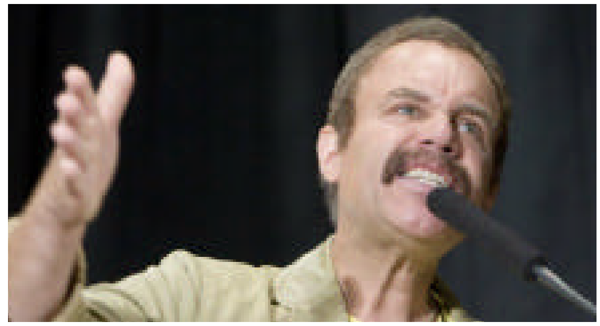
EDUCATION

Since 1980, as the blue-collar economy has vanished, the only way into the American middle class is through education. "More and more it is the preferred way into American life," says Anthony Carnevale, senior fellow at the National Center for Education and Economy.

For low-income and minority students, however, this educational pathway to the middle class is harder to follow than one might think.

Neighborhoods differ wildly in the quality of their schools. Wealthy communities have more money for schools. Impoverished communities don't have as much money, but often have greater needs requiring more services. Many low-income, minority families live in neighborhoods with inferior schools – unlike many low-income, white families. "Seventy percent of poor, white children go to middle-class schools," says Myron Orfield, the University of Minnesota law professor. "But if you are black and poor, the odds are overwhelming you will go to a poor school. And if you go to a poor school, the probability is that you will drop out."

Eric Cooper, president of the National Urban Alliance for Effective Education, a nonprofit trying to eliminate the achievement gap in urban public schools from Seattle to Newark, believes youth of color face bias in schools. Far too many African-American males are pushed into special-education classes, he says. Too many teachers, he says, have low expectations for minority children from low-income families. "All too many assume that these students are incapable of high intellectual performance because of innate cognitive



Eric Cooper, National Urban Alliance for Effective Education

inadequacies," says Cooper. But in fact, scholars from different disciplines and different ideological perspectives note that if educators measured the ability of children from low-income families at age 5 or 6 and again at the end of high school, innate ability does not predict their developed ability, says Carnevale, the former vice president for assessment, equity and careers at the Educational Testing Service in Princeton, N.J. In other words, young children from low-income families might have high innate ability, but by the end of high school, they likely won't have reached their academic potential. "The truth is they don't become all they can be," says Carnevale. The opposite is true for middle- and upper-middle-class children. For them, innate ability at age 5 does predict their ability at the end of high school.

What happens, says Carnevale, is that the educational system stratifies kids as they move through it. "American education is very efficient," he says. "As you move through the pipeline, it sorts human capital very efficiently according to class and race. Education is more a device for reproducing barriers to social class."

Those barriers are apparent by the time students finish high school. Access to higher education is unequal among equally qualified students. Many factors determine whether and where a student goes to college, but attending inferior schools and family income play a big role.

Consider the numbers:

- Among the top test performers nationwide, more than 80 percent of the wealthiest students go to four-year colleges, compared to 40 percent of equally prepared students from the poorest families.

- Seventy-two percent of the wealthiest students whose test scores are in the lowest tier go to college.
- Seventy-four percent of students at the most selective colleges come from the most affluent families; only 3 percent come from the least affluent families.

Those grim statistics mean we are not making the most of the talent within our country when so many high-performing, low-income students are unable to develop their full potential. Those figures also suggest that taxpayer-financed public universities, which educate nearly three-quarters of college students, are not an efficient investment if so many mediocre, wealthy students are going to college, while so many high-performing, low-income students are not. That dismaying reality threatens our national economic interest. Sweeping changes in work over the past half century have made access to education and post-secondary training a requirement for landing a middle-class job. Economic restructuring has shifted jobs from industries that required workers with high school degrees to those that require workers with at least some college. "If you want to be a member of the middle class, you need to find a way into the educational system," says Carnevale.

Carnevale proposes focusing attention on the 200,000 high school graduates whose high grades and test scores qualify them for college every year, but who don't go on to college.

Carnevale proposes focusing attention on the 200,000 high school graduates whose high grades and test scores qualify them for college every year, but who don't go on to college. Family income is part of the barrier, but Carnevale believes the reasons are more complicated. In some cases, he believes these youths may have holes in their education – for example, never learning long division, even if they are doing higher-level math. He also believes another reason is cultural: elite institutions of higher education are not part of their cultural experience. In addition, some of these teenagers' parents are not pushing them toward college. "Lots of lower-income kids from working poor families get passed over," he says. "We could do much more for them."

Eric Cooper founded the National Urban Alliance for Effective Education in 1989 to achieve systemic change in urban schools. One important solution, he says, is early education programs. He also proposes specific reforms for K-12 education based on several major beliefs:

- All children are capable of meeting high educational standards.
- Intelligence can be modified; it is not fixed.
- Effective teaching is at the heart of high-performing schools.
- All community stakeholders must be involved in improving learning and teaching and addressing children's social, cultural, and intellectual needs.

Cooper believes that training teachers and schools to find ways of accelerating learning for all students is the best way to close the achievement gap. His organization sends consultants into schools to teach students lessons in math, science, social studies, reading, and writing. They also focus on thinking skills. His consultants then coach the teachers on adopting those methods. Cooper says his program is more than just providing the latest tools and techniques – it lifts teachers' morale.

The program is having success in many cities. In Seattle, for example, black children who spent two years with literacy-trained teachers doubled their achievement on standardized reading and writing tests – exams they had failed in 1999. In fact, those black students scored twice as high as black students who did not work with literacy-trained teachers.

In Indianapolis, the project began with an intensive effort in 1998 to boost students' literacy through training for teachers and administrators, school visits, summer sessions and collaboration with district administrators. The payoffs have been big. In 2002, low-income third-graders scored higher on standardized math tests than other low-income third-grade students statewide. The results for black and Hispanic third-graders who worked with the trained teachers were better than black and Hispanic third-graders statewide. Other educators want to learn from the program. "Wealthier townships are visiting Indianapolis schools," says Cooper.

Cooper recalls meeting a Somalian boy, Siem Tesfaslase, whose teachers in Indianapolis didn't believe in his potential. "They thought he was a 'slow learner,' " says Cooper. But Siem proved his teachers wrong as he begged for more challenges. In a poem, Siem wrote: "I want you to make my brain work in a hundred different ways every day. I'm asking you to make my head ache with knowledge – spin with ideas. I want you to make my mind my most powerful asset." One of Siem's teachers, Audra Jordan, received special training from the National Urban Alliance, and that helped Siem greatly. "He went on to graduate from high school, which astonished some, and went on to college to graduate in the school of journalism," says Cooper. In his high school poem, Siem wrote:

> "We need a miracle in public education.
> One for every kid who subconsciously wants,
> To be pushed to the edge/taken to the most
> extreme limits."

The challenges low-income, minority children face in seeking a quality education continue into adulthood. Today, working adults who try to further their education face many barriers. First, school for adults is often quite expensive. Adults often turn to community colleges, but basic reading and math courses typically are required for those who did not receive a good high school education. These courses are generally non-credit and unrelated to any credential or certification, meaning that they don't help the student advance in the labor market. In addition, such courses can take a year or longer to complete, depending on college schedules and students' needs. Trying to go to school often is discouraging and costly for a low-income adult.

For low-income working adults, attending college generally means a reduction in work hours – and in income – at a time when they need more money to cover educational expenses.

Attending college is also quite difficult even for those who are academically prepared. For low-income working adults, attending college generally means a reduction in work hours – and in income – at a time when they need more money to cover educational expenses. For an adult with children, this situation is even more difficult. Currently, financial aid rules favor "traditional" students – young people dependent on their families for food and shelter and who have no dependents of their own. Working adults trying to support themselves and perhaps their families often have incomes that are too high for financial aid, even though their wages are barely sufficient to pay for rent and groceries.

Roger Weisberg's film *Waging a Living* captures that struggle. The documentary features the lives of four adults in low-wage jobs, including a single mother named Barbara who earns $8.25 an hour in a residential care facility for troubled children. Not only does she face tremendous financial difficulties, but her ability to succeed in school also is challenged by the competing demands of work and caring for a family. In one scene, we see Barbara explaining to her professor the challenges she faces in completing her school work. He is sympathetic and agrees to extend the deadline for her to complete the work and pass the exams. The result is that it takes her longer to finish her studies and hopefully get a better job. Weisberg notes that workers with associate's degrees earn 30 percent more than those with only a high school degree. But he also makes clear how hard it is for low-wage workers to get that credential.

WORK

It's hard to separate trends in education from trends in work. Educational attainment has a profound influence on employment achievement. The two go hand in hand.

Work plays a vital role in American families' lives. For most people, it's how they make a living. It also takes up a good chunk of our lives. In recent decades, Americans have been working more and more hours. Since 1969, married couples' work hours have increased by 14.3 hours a week for a total of 71.8 hours. People seek more from their work than just income – they look for personal fulfillment. Most people draw a large sense of their identities from their work.

Increasingly, going to college is essential in the new economy. The numbers tell the story:

- More than two-thirds of workers in well-paying jobs in growing fields such as office jobs, education, healthcare, and technology, have at least some post-secondary education.
- In stagnant fields, such as factory jobs, low-skilled services and natural resources, only one-third of workers have post-secondary education.
- Sixty-seven percent of new jobs created by 2010 will demand skills that require at least some college.

The demand for college-educated workers only will increase. Anthony Carnevale predicts a shortage of 14 million workers with post-secondary education by 2020.

Today, businesses place a premium on a college-educated workforce, and they are willing to pay for it. Since 1979, the premium paid to workers with at least some college has increased from 42 to 62 percent, even as the supply of workers with at least some college has doubled as a share of all workers.

In America, there is a growing gap between those who earn the most money and those who earn the least. Workers in the top 10-percent income bracket have seen their earnings grow by about a quarter over the past couple of decades. At the same time, those in the bottom 10 percent actually have seen their real wages drop slightly, declining by four cents an hour.

The gap is even more dramatic in total family income. Families in the top 20 percent of the income distribution got 62 percent of the total income growth, with half of that going to those in the top 5 percent of the distribution. Those in the bottom 20 percent got only 2 percent of the income growth.

As a nation, we must generate more workers to fill the growth in jobs demanding higher skills. Doing so will keep our economy thriving, our businesses competitive, our tax base growing, and our communities stable. Failing to educate more workers for higher-skilled jobs will widen the wage gap between people at the top and bottom, limiting the nation's economic potential.

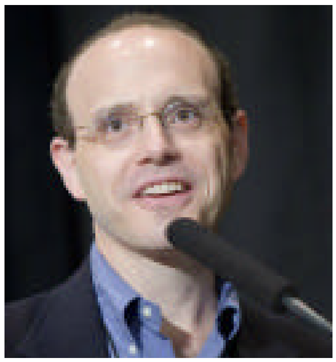
As experts suggest, opening access to college is essential, especially for the thousands of high school students whose grades and test scores qualify them for college each year, but who don't pursue college.

LOW-WAGE WORK

When President Clinton signed welfare reform in 1996, it transformed six decades of social policy affecting low-income Americans. That legislation encouraged low-income women to enter the labor force, and welfare rolls plummeted. That seismic shift triggered both a big increase in single mothers in the workforce and in their earnings. Ron Haskins, a senior fellow in economic studies at the Brookings Institution, examined the earnings of female-headed households at the bottom two-fifths of the income distribution for that family type, a group largely reflective of the welfare population. Their earnings from wages and the earned income tax credit went from $4,000 a year in 1993 to $8,000 in 2002, while their cash income from welfare benefits dropped from about $5,700 annually to $3,200 annually during that time.

Haskins says that after welfare reform, child poverty for black children and children in female-headed families also declined, although it has ticked back up slightly since 2001.

Welfare reform helped more women work, earn more and lift their children out of poverty. Jason DeParle, author of "American Dream – Three Women, Ten Kids and A Nation's Drive to End Welfare," says work also offered something more than all that. He notes that Clinton used evocative phrases about the value of work – that it offers "moral glue," and "social connectedness." While researching his book about three cousins in Milwaukee who get off welfare, DeParle says he found that work can offer such benefits. The main character in his book, Angie Jobe, had been on welfare for 12 years and enjoyed her new job as a nursing aide for elderly patients, even though the work was dirty, dangerous, paid only $7.50 an hour, and lacked health insurance. "She loved it, except for the pay," says DeParle, a veteran New York Times reporter. "She loved the teamwork of patient care, and it brought out compassion in her."


Jason DeParle, The New York Times

A host of federal legislation from 1984 to 1999 dramatically increased support for working families. The increased federal spending on various programs is directly tied to working – for instance, the earned income tax credit, child care subsidies and other tax credits are only available to people who work.

Even though there has been a revolution in social policy affecting women, there hasn't been the same attention focused on men, who largely have been absent from the lives of these women and their children. "Social policies have been focused on women," says DeParle. "We need to bring the men back into the equation." Haskins, also a senior consultant to the Annie E. Casey Foundation, echoes those thoughts: "I am convinced that men are a problem – they don't work much. Some 600,000 men will come out of jail this year, and there are no programs for these guys. The system does not help these men."

While welfare reform has encouraged work, many Americans are still struggling to advance:

- More than one out of four American working families earns wages so low that they have difficulty surviving financially.
- For a family of four that means earning less than $36,784 in 2002, substantially below the median income of $62,732 for a family of four.
- Low-income workers are almost three times more likely not to have finished high school than those who earn more.
- Nationally, 27 million adults do not have a high school degree.

In DeParle's book, Angie was off welfare and wasn't poorer than she had been, but she faced hardships. Her electricity was turned off several times and she often ran short of food. De Parle says she did not set an example for her children about the value of work or the importance of a good education, as many political leaders had hoped. "Angie did not become a role model for her kids," DeParle said. "If anything they experienced her work less as an inspiration than just an absence. She was just gone more often." He also notes, "The kids' school attendance actually dropped after she left welfare and went to work."

Haskins, a former U.S. House of Representatives welfare reform expert for the Republicans, points out that some 200,000 to 300,000 mothers are worse off since welfare reform. Without welfare, they have no safety net. The recent national recession, he notes, also has hurt many women who might have lost their $7-an-hour jobs and were unable to find other work. Like other experts, Haskins also blames the educational system "for leaving a lot of kids behind." What's truly needed for low-income families, he argues, are work supports, such as the earned income tax credit, food stamps and child nutrition programs, child care and the child tax credit, and child support enforcement. These supports and others, he suggests, will allow low-wage workers to raise their children to become productive citizens. Carnevale agrees that more supports are needed for adults who are well past school age. “Education is not a substitute for social policy,” he says.

It is possible, however, to enhance the skills of working adults so that they can move up the income ladder. For example, there are a variety of industry-based workforce development programs that work with employers, community organizations, educational institutions, and public officials to improve the systems that affect training, recruitment, hiring, compensation, job retention and promotion within an industry. These programs often work with individuals who have good basic job skills and who are ready to study and advance. The Aspen Institute surveyed several hundred people who participated in six industry-based training initiatives and found that people who participated in such programs improved their positions within their local labor market – often dramatically. For example, median personal earnings rose from $8,580 to $14,040 after the first year of training to $17,732 after the second year of training.

While work provides income for daily living, wealth is the foundation of economic security.

Still, it is important to note that industry-based programs are not a quick fix. Two years after training, many people in the Aspen Institute survey still were struggling to become and stay self-sufficient. For too many, layoffs, personal or family illness, and other issues made it hard to advance in the labor market. In addition, many local areas are constrained in how they use very limited public training dollars. For example, given limited training monies, in many places public policy requires that all efforts be made to first place an individual in a job. If that fails, the individual then may participate in training. Unfortunately, this type of policy often directs training money away from people who might benefit most – those who have some work history and are prepared and motivated to develop new skills in order to advance.

WEALTH

While work provides income for daily living, wealth is the foundation of economic security. Ideally, as families save, they build wealth by accumulating assets. But many working families find it nearly impossible to begin saving. Their earnings may not be enough to cover basic necessities. They may be suffocating with debt.

They also may lack the savvy to navigate the financial services system. One of the most obvious signs of a low-income neighborhood is the lack of banks and the prevalence of storefronts for check-cashing and loans. From 1985 to 1995, the number of bank branches per capita declined slightly nationwide, but branches in low- and moderate-income communities made up most of the decline.

Few banks, coupled with a lack of savings, insurance and perhaps a rocky credit history, leave the poor vulnerable to high-cost or predatory lending when faced with an emergency, such as a job loss, the death of a spouse or a major illness. Increasingly, employers have curtailed retirement or pension benefits, further undermining families’ long-term economic security.

The asset gap between the rich and the poor is even more dramatic than the income gap. Consider the numbers:

- Families making less than $20,000 had median financial assets of less than $1,000.
- Families making more than $60,000 had median financial assets of more than $100,000.
- In 2001, the top fifth of households held 84.4 percent of all wealth.
- The middle fifth held only 3.9 percent – the smallest share since 1962.
- The bottom fifth had negative net worth, meaning they owed more than they owned.

There are wide wealth disparities based on race. In 1994, the median wealth of white families was more than eight times that of African-American families.

Geography plays an important role in building assets. “Where you live determines whether you have the opportunity to build wealth or to send a child to college,” says Angela Glover Blackwell, founder and chief executive officer of PolicyLink, a national nonprofit research organization that advocates for economic and social equity. Homes are a major source of wealth for all Americans, especially for the poor. Among homeowners earning less than $20,000, half of them held 72 percent of their wealth in home equity. Home equity represents more than 80 percent of the net worth for black and Hispanic families – it is an asset that can help survive a crisis or help pay for college.

Both Myron Orfield of the University of Minnesota and Angela Blackwell point to historic policies and practices that created barriers keeping blacks and Hispanics from building assets through equity in their homes. Racial steering contributed to the movement of minority families to neighborhoods that may be less valuable. Blackwell told the story of her own parents who were the second black family to buy a lovely home for $12,000 in a mostly white St. Louis neighborhood in the 1950s. Many white families soon moved out. “It had been decided that certain white, working-class neighborhoods would be black,” she said. Her parents sold the house decades later for $36,000 – a fraction of what a home might have been worth in a comparable, white neighborhood.

That scenario occurred in cities across America, and Melvin Oliver, professor and dean of social sciences at the University of California, Santa Barbara, says it was no accident. Government policies, he contends, contributed to the separation of whites and blacks in this country. Oliver, co-author of the book, “Black Wealth, White Wealth,” says the Federal Housing Authority (FHA), which began providing millions of loans with little or no money down in 1934, financed the “ghetto-ization” of blacks and the suburbanization of whites. Appraisers’ loan assessments were a key tool. Neighborhoods were assigned various colors on a map, ranging from green for the most desirable, in which white residents lived, to red, which included racially mixed or all black residents, and thus, were undesirable. Blacks were "red-lined" and denied loans, while white suburbanites benefited from the government's largest asset-building opportunity. FHA favored the financing of detached single-family homes over multifamily housing, new purchases over repairs of existing homes and the continuation of the "unbiased professional estimate," which effectively denied financing to all-black or racially changing neighborhoods. Between 1934 and 1962, the federal government underwrote $120 billion in new housing, but less than 2 percent went to non-whites.

Angela Glover Blackwell, PolicyLink

Such discriminatory FHA policies no longer exist today, but the legacy lingers as the value of those FHA-financed suburban homes rose dramatically. And black families, who were excluded from buying those homes and ended up in inner cities, have substantially less wealth as a result.

Oliver says banks contribute to the problem by making loans in areas that are on the rise, notably white communities. He points to Federal Reserve studies that have shown that equally creditworthy black and white families have very different mortgage decision outcomes: blacks are 20 percent more likely to be declined loans than whites. “Banks are making decisions not so much on the creditworthiness of their applicants, but on their perceptions of black homebuyers and the values of homes in black communities.”

Inner-city neighborhoods are a favorite market for sub-prime lenders who offer loans that can cost a borrower much more in interest than, for instance, a Fannie Mae loan. Predatory lenders target customers who have limited financial knowledge and gouge them with excessive fees and balloon payments.

A lack of assets perpetuates poverty. It means entrenched, intergenerational poverty for millions of Americans, no matter how hard they work.

Amy Domini is trying to help reverse that trend. She founded and runs Domini Social Investments, a New York-based investment firm specializing exclusively in socially responsible investing. Her firm manages more than $1.8 billion in assets for individuals and institutional investors who want to invest in socially and environmentally responsible businesses. Two of her investment options, the Domini Social Bond Fund and the Domini Money Market Account, support community investing by helping to build affordable housing, create jobs, and assist lower-income entrepreneurs.

Her firm's community investments typically go to Community Development Financial Institutions, which are specialized financial institutions focusing on communities underserved by traditional banks and financial-service companies. CDFIs include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds. They provide an array of services, including mortgage financing for home buyers, financing for the rehabilitation of rental housing, financing for the building and rehabilitation of community facilities, commercial loans to small- and microenterprise businesses, and financial services needed by low-income households and businesses.

Up to 10 percent of assets in the Domini Social Bond Fund go to direct community investments. The remainder of the Fund's portfolio is focused on investment-grade housing and economic development bonds, many issued by government-sponsored entities such as Fannie Mae and Freddie Mac. A deposit in the $50 million Domini Money Market Account is directed entirely to ShoreBank, the nation's oldest and largest community development bank, which turns it into community development capital to revitalize struggling urban and rural areas, and to conserve the environment of the Pacific Northwest.

Another strategy for helping low-income families build assets is individual development accounts, or IDAs, which are matched savings accounts first introduced in the mid-1990s. They are similar to Individual Retirement Accounts or IRAs. IDAs were proposed by Michael Sherraden, director of the Center for Social Development at Washington University in St. Louis. He argues that federal social policy contributes to the wealth gap by providing billions of dollars of incentives for middle- and upper-income taxpayers to save through home mortgage deductions, among other things. The poor, he says, deserve similar incentives, such as IDAs. "Income may feed people's stomachs, but assets change their heads," says Sherraden, author of the 1991 book, "Assets and the Poor: A New American Welfare Policy."

Administered through nonprofit organizations, IDA programs use federal, state, and/or local monies to match the accountholder's deposits at ratios depending on the savings goal, up to a predetermined maximum. Matches typically are made at a 2:1 to 4:1 ratio. Depending on the particular program, accounts may be used for college education or training, to buy a home, or to start a small business. The Corporation for Enterprise Development (CFED), a national nonprofit think tank in Washington, D.C., estimates that there are more than 500 IDA programs in the United States. More than 15,000 Americans are saving in IDAs, and 85 percent of them earn less than $30,000 a year, according to CFED.

COMMUNITIES

There's an expression in real estate about the importance of place: location, location, location. The same is true about expanding opportunities for low-income people. The problems that limit opportunities for poor people are intertwined, but they have much to do with where people live.

University of Minnesota law professor Myron Orfield cites Atlanta as a good example of how poverty has moved from inner cities to older, inner suburbs. A few minority families move into a suburban neighborhood to escape urban poverty. Racial steering may accelerate the trend, contributing quickly to a less integrated neighborhood. As more minority families move in, the neighborhood is perceived as less desirable. White families begin to move out. Residential property values begin to erode, making the neighborhood even more attractive to lower income minority families who now can afford it. As poverty moves to the suburbs, those communities' tax bases decline, and they become poorer fiscally. With dwindling tax revenues, the ability of local governments to pay for services also declines. But poverty also brings greater needs, especially in schools, and government is unable to pay for additional services.

Orfield, author of the book "Metro Politics," says a huge migration is occurring as people move from inner cities to older, inner suburbs, and many of those neighborhoods are becoming as segregated as inner cities.

Angela Glover Blackwell of PolicyLink says that the nation's dominant development pattern has been the outward movement of jobs, population, investment capital and opportunity from cities to the fringes of metro areas, a phenomenon known as sprawl. Low-income communities become isolated. "Detroit builds a new ring of cities so people can move away from each other," says Orfield. "If investments are made in the ring around the city and drain resources from the core, the whole region loses. Money that can build a six-lane highway to a farm field could build public transit."

Disconnected communities can harm people's lives. "Where you live determines your health and well-being," says Blackwell. She notes that half of all black communities are without a full-service grocery store. The Environmental Protection Agency says these communities suffer from the most polluted air. The Trust for Public Land notes that there are fewer parks in inner cities. A recent study, she says, found that about a quarter of the low-income, black children in Harlem have asthma, compared to the national average of 6 percent.

"For a long time, the image of poverty was rural," says Blackwell. "We moved that image to inner cities and women on welfare. Poverty is changing again. People in inner cities are picking up, and they think they are moving to opportunity. But they are going to poor suburbs. We need to redefine our image of poverty."

The problems that limit opportunities for poor people are intertwined, but they have much to do with where people live.

Blackwell says that public planning and development policies have provided powerful incentives for suburban growth at the expense of central cities and older suburbs. Some investments in public transit, for instance, destroy the fabric of communities as highways divide and disrupt neighborhoods. Instead, investments in public transit should be "inclusive," Blackwell says, so that residents can get to their jobs, often located elsewhere.

Blackwell's organization tries to develop strategies that offer opportunities so that everyone, including people in low-income communities, can contribute to and benefit from local and regional growth and development. This major approach is known as equitable development. The idea is to integrate people and place, reduce local and regional disparities, ensure meaningful voice and leadership from community members. Her organization pushes for affordable regional housing, equity in public investment and community strategies to improve health.

Orfield says that fiscal policies should make funding of services less dependent on where people live. He also says that enforcement of existing policies is problematic, noting that18 states have comprehensive statewide land use plans that are mostly paper tigers. Not only is there little enforcement of these plans, but housing boards do not strictly enforce fair housing laws.

Another strategy is inclusionary zoning, policies that require new and rehabilitated residential developments to include affordable housing for low- and moderate-income residents. In exchange, developers may receive non-monetary compensation, such as density bonuses, that reduce construction costs. Other strategies to dismantle exclusionary land use and zoning practices include fair share housing agreements, zoning overlays that raise density and multi-family housing developments.

Another strategy is attaching location criteria to the federal Low-Income Housing Tax Credit, or LIHTC, which was created to spur the development of low-income rental units. The act authorizes federal tax credits for building or rehabbing units for low-income renters. Advocates suggest that some affordable housing must be located near jobs and transportation so that poverty is not concentrated in certain places.

Another strategy is known as transit-oriented development (TOD), which is the practice of creating vibrant mixed-use communities around transit stations. The benefits include a higher quality of life with better places to live, work, and play; increased transit ridership and decreased driving and congestion. Advocates would like to see economic development subsidies linked to transit access.

CONCLUSION

Roger Weisberg's film *Waging a Living* powerfully shows how many of these trends affect struggling American families today. The film follows four individuals trying to support themselves and their families on low-wage work. Their compelling stories reveal how the current situation imposes far too many barriers to advancement. The character Barbara describes her life as "hustling backward" after she finally gets a pay raise that winds up increasing her income so that she loses housing subsidies and health insurance for her children, effectively more than wiping out the value of her raise. Her struggles show how the system not only contributes to her enduring difficulties, but it also keeps her from fulfilling her potential and limits opportunities for her children.

We face great challenges as a country. To be competitive, we will need everyone to contribute to tomorrow's economy. Extra attention must be paid to the needs of minority children, who are disproportionately disadvantaged but who represent a growing share of the population. If we don't address these challenges, our economic growth will be stifled and our society increasingly divided.

The inequities in work and wealth demand a call for action in this country. This unfairness does not need to be the reality. Instead, there are strategies that work, and specific steps can be taken to solve this problem. Among them:

- High-quality early education programs
- K-12 education reforms that set high standards for all children
- Opening access to college for qualified, low-income high school students
- Social policies that focus on bringing men back into low-income families while connecting them with pathways to good jobs
- Further expansion of work supports, such as the earned income tax credit, food stamps and child nutrition programs, child care and child tax credit, and child support enforcement
- Industry-based workforce development and other programs that can help adults develop more marketable skills

- Socially responsible investing that benefits low-income communities

- Equitable development that reduces local and regional disparities
- Inclusionary zoning that requires affordable housing in developments

The various solutions presented at the Aspen Institute Ideas Festival need both political support and investment to broadly address the unfair economic paradox in our country. Citizens must demand leadership from elected officials and business leaders. In turn, citizens themselves must be willing to be part of the solution.

FOR FURTHER INFORMATION

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The Aspen Institute's Economic Opportunities Program advances strategies that connect the poor and underemployed to the mainstream economy. We believe that alleviating poverty requires changing systems and transforming individuals' relationships to money, work, and assets. We use research to encourage effective practices and to stimulate discussion and action among funders, policymakers, and non-profit and community leaders.

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